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RUEHME/AMEMBASSY MEXICO PRIORITY 3816  
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E.O. 12958: DECL: 06/02/2016  
TAGS: [PGOV](#) [PHUM](#) [KJUS](#) [KDEM](#) [VE](#)  
SUBJECT: SUPREME COURT JUSTICE LOUDLY OBJECTS TO HIS REMOVAL

REF: 05 CARACAS 03387

Classified By: POLITICAL COUNSELOR ROBERT R. DOWNES FOR REASON 1.4 (D)

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Summary  
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1. (C) On May 24, the Venezuelan Government's Moral Republican Council suspended Supreme Court Justice Luis Velasquez Alvaray for alleged mismanagement of public funds earmarked to purchase property for the construction of a judicial complex. His case is now with the National Assembly (AN), which is expected to remove him from the Supreme Court. Not content to sit quietly, Velasquez Alvaray has come out swinging, accusing several high-ranking government officials, including Vice President Jose Vicente Rangel, of corruption. Assuming he has evidence to support his allegations, Velasquez Alvaray's sacking potentially could expose corrupt activities of several high ranking government officials and spark a scandal for the regime. This is a potentially threatening development for Chavez, who initially campaigned for president on an anti-corruption theme. While in itself this matter is unlikely to contain the seeds of the government's demise, it could widen fissures increasingly apparent in the Bolivarian movement. End Summary.

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Velasquez Alvaray Accused of Grave Error  
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2. (U) On May 24, the so-called Moral Republican Council

(MRC), which consists of the Attorney General, Comptroller, and Human Rights Ombudsman, suspended Supreme Court (or Tribunal Supremo de Justicia (TSJ) in Spanish) Justice Luis Velasquez Alvaray following a three month investigation. The case began in February, after Interior and Justice Minister Jesse Chacon alleged irregularities in the purchase and renovation of a judicial complex in the Petare area of Caracas. The MRC found Velasquez Alvaray violated bidding procedures, did not obtain an adequate appraisal of the building, paid three billion Bolivars (USD 100,000) over the purchase price, and contracted a company not registered to do business with the government. Velasquez Alvaray has since also been accused of falsifying his academic record. (Bio note: At the time of his suspension Velasquez Alvaray, a former National Assembly deputy, sat on the TSJ's Constitutional Chamber and headed the Judicial Committee and the Department of Administration (DEM). The Judicial Committee presides over the lower courts in name of the full TSJ, while the DEM is responsible for the administration of

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the court system. As Judicial Committee director, Velasquez Alvaray oversaw a politically-motivated witch hunt that resulted in the removal of hundreds of pro-opposition judges--allegedly for corruption-- with Chavez sympathizers. Velasquez Alvaray is also well-known for his introduction (as deputy in 2003) of an amendment to permit consecutive re-election of the President for the first time in modern Venezuelan history. End note.)

13. (C) The National Assembly is reviewing the case and under the 2003 TSJ Law has until June 9 to decide whether to remove Velasquez Alvaray from the TSJ. A number of AN deputies,

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including AN President Nicolas Maduro, publicly say they will probably vote against him. Attorney General Isaias Rodriguez announced the MRC will also review other purchases that Velasquez Alvaray oversaw. The press has speculated that criminal charges likely may be filed against the judge once he is removed.

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You're Calling ME Corrupt?  
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14. (U) On May 25, the day after his suspension, Velasquez Alvaray vigorously denied the charges against him and leveled new ones at his accuser and several other high ranking government officials. In a lengthy, emotional, televised press conference, Velasquez Alvaray argued that the judicial complexes were bought under special circumstances and that fellow judges approved his actions. He blasted the MRC for not giving him enough time to defend himself and for ignoring the documents he presented in his favor. He claimed he is being targeted by a group of government officials, including Vice President Jose Vicente Rangel, AN leader Nicolas Maduro, and Chacon, that are trying to impose "Chavismo without Chavez." Velasquez Alvaray accused Rangel of controlling a group of judges known as the "Group of Midgets" that intervened in politically sensitive and drug-related cases at Rangel's behest. He then played tapes of telephone conversations which allegedly revealed these judges seeking to win the release of a drug trafficker and remove a judge appointed to the Danilo Anderson murder case (ref a). He threatened to release more tapes in the future. Velasquez Alvaray also rhetorically questioned why the MRC had not investigated the rise of several recently wealthy and influential people associated with the government such as Chacon's brother Arne Chacon, manager of Baninvest bank, and Julio Makarem, the owner of North American Opinion Research company, the Chavista polling service.

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It's All Corruption  
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15. (C) Although Velasquez Alvaray publicly attributes his current situation to his so-called anti-corruption campaign, the case may be seen as part of a larger battle within Chavismo. On June 1 and 2 poloff discussed the case with ex-AN Deputy Pedro Pablo Alcantara and former judge Monica Fernandez. According to both, Velasquez Alvaray was originally part of Rangel's influential group in the judiciary, but he allegedly became drunk with power after some time as DEM director. Velasquez Alvaray began making deals in Rangel's name without permission, according to Fernandez. Alcantara also said Velasquez Alvaray upset Chacon when he refused to include the Interior Minister's brother in negotiations (and hence, lucrative kickbacks) for the judicial buildings. Fernandez says many of Velasquez Alvaray's allegations are true, including existence of the "Group of Midgets," and she expects more fallout.

16. (U) Velasquez Alvaray's allegations have sent the rumor mill into overdrive. The media is closely following the reactions of the accused, which unsurprisingly have denied Velasquez Alvaray's claims. So far one ex-judge, Luis

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Eduardo Melendez, has verified his voice on one of the tapes in which a drug case was discussed. However, Melendez did not recognize the other voice, as he had received several calls, some reportedly on Rangel's behalf, pressuring him to release the drug trafficker in question. (Note: The other caller was not identified in the excerpt Velasquez Alvaray played during his press conference.)

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Chickens Come Home to Roost  
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17. (U) Most government opponents are relishing in the irony of Velasquez Alvaray's situation and the commotion it has stirred up within the ruling Fifth Republic Movement (MVR). One of Velasquez Alvaray's best known legislative accomplishments was the successful promotion of the provision in the 2003 TSJ Law that ultimately allowed the MRC to suspend him. Velasquez Alvaray had also used the same credentials charge that he may now also face to sack former pro-opposition TSJ Justice Franklin Arrieché in 2004 (ref b).

(Note: The BRV sacked Arrieché because he acquitted the eight military officers accused of rebellion for their role in the April 2002 coup and he had also opposed the 2003 TSJ Constitutional Chamber's ruling rejecting 1.3 million signatures collected during the petition drive against President Chavez.)

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Comment  
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18. (C) It is too soon to determine the impact Velasquez Alvaray's removal may have on the BRV. His allegations appear to be intensifying infighting that the government has struggled to keep under wraps, and has the potential to touch off a major scandal for Chavez, who campaigned initially on an anti-corruption theme. Public perception is that corruption, traditionally a problem in Venezuela, has grown under Chavez. That said, polling indicated that few blame Chavez himself for the corruption; even Velasquez Alvaray implicitly supported this notion when he blamed the venal officials of seeking "Chavismo without Chavez." We doubt this case will threaten Chavez' rule or the unraveling of the Bolivarian movement, but it will add to the growing fissures that could damage the movement over time.

WHITAKER